

A CONTINUED  
**Commitment**  
TO CUSTOMER SERVICE



**2010**  
ANNUAL REPORT



# Contra Costa Water District

## BOARD OF DIRECTORS

Joseph L. Campbell	President, Division 3
Karl L. Wandry	Vice President, Division 5
Lisa M. Borba	Director, Division 1
Bette Boatman	Director, Division 4
John Burgh	Director, Division 2

## GENERAL MANAGER

Jerry Brown

## DISTRICT SECRETARY

Mary Neher

## CONTRA COSTA WATER DISTRICT BOARD MEETINGS

The Board meets in regular session at 6:30 p.m. on the first and third Wednesdays of each month. Meetings are held in the Board Room at the Contra Costa Water District Administration Building, 1331 Concord Ave., Concord. For meeting agendas, contact the District Secretary at (925) 688-8024, or visit the District's web site at [www.cwater.com](http://www.cwater.com).

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## A Message from the General Manager

### A CONTINUED COMMITMENT TO CUSTOMER SERVICE



For 75 years, the District has upheld the principle that customers are its priority and meeting the needs of customers at all times is the goal of its operations. Looking forward, the District is committed to this concept and will continue to do the right thing in the right way at the right time for its customers.

With dedication to public service at its core, the District practices conservative fiscal planning and sound management of resources in order to maintain a relatively stable financial position. The organization is not without financial challenges, however its focus on strategic planning and its adherence to fiscally conservative policies have mitigated some of the impact of the current economic downturn.

The District understands that investment in infrastructure is an important key to ensuring a high level of customer service and sustainability. In 2010, work was completed or advanced on numerous infrastructure projects, including three major projects that provide value to customers in the form of drought reliability, water quality and efficiency. The Middle River Intake Project was completed in July and is on-line as the District's fourth Delta intake. Work is now moving forward on the Los Vaqueros Reservoir Expansion Project, which is set to break ground in spring 2011. The Board of Directors has certified the project's Environmental Impact Report (EIR) and awarded a \$35.3 million contract to raise the dam and add 60,000 acre-feet of storage capacity to the 100,000 acre-foot reservoir. (As a point of reference, 60,000 acre-feet is enough water to serve 120,000 average single-family residences for a year.) Work is also underway to build a fish screen at the

Rock Slough intake with a \$20 million federal stimulus grant. Rock Slough is the District's last unscreened intake. With the completion of the Rock Slough screen, all of the District's intakes will be fully screened. Together, these infrastructure projects provide important benefits to the District's 550,000 customers and the Delta's ecosystem, and the District will be better prepared for drought or Delta emergencies.

Organizations like the District are successful because of strong leadership. In 2010, two transitions in leadership were implemented seamlessly, ensuring strength and continuity as the District endeavors to provide a steady level of quality service and financial management into the future. In April, the Board of Directors appointed Lisa M. Borba as Director of Division 1 following Director Elizabeth R. Anello's departure after 16 years of service. In September, the Board appointed me to the position of General Manager, replacing Walter J. Bishop who effectively led staff and implemented the Board's policies for 18 years. Director Anello and Mr. Bishop both had a strong commitment to serving the District's customers. Their years of dedicated service are greatly appreciated, and those of us who follow in their footsteps are equally committed to providing exceptional service and leadership.

As you review this report, you will see that the District maintains an unwavering commitment to exceeding customers' expectations of excellent service, quality water, environmental protection and reasonable costs. We are here to serve the community and meet its drinking water needs.

A handwritten signature in black ink that reads "Jerry Brown". The signature is written in a cursive, flowing style.

**Jerry Brown**

# About the Contra Costa Water District

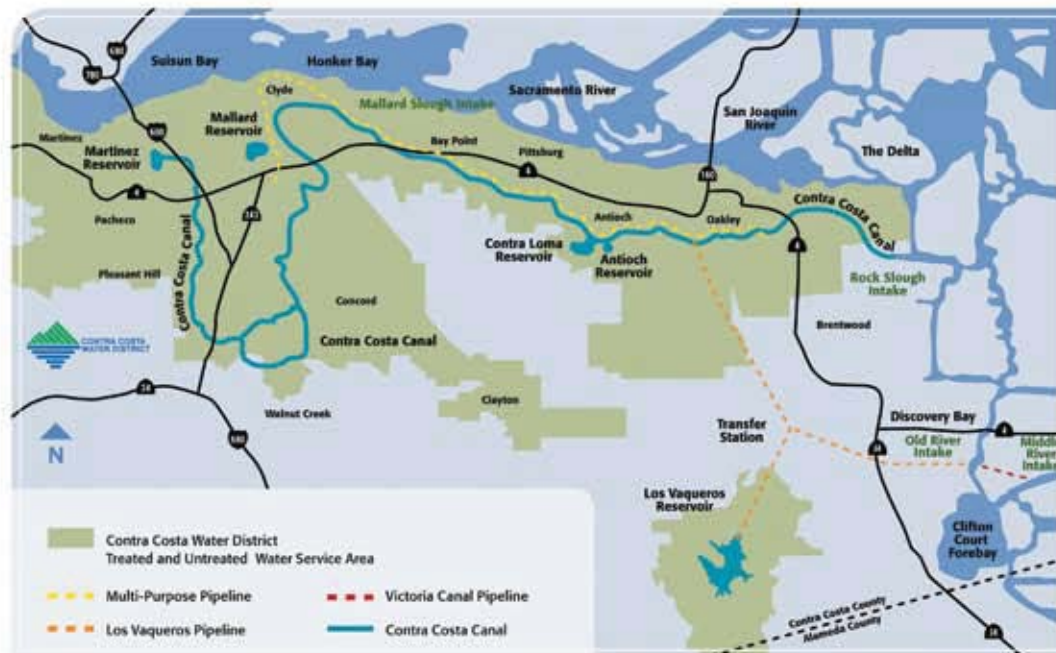
The Contra Costa Water District (CCWD) serves treated and untreated water to approximately 550,000 people in central and eastern Contra Costa County in Northern California.

Formed in 1936 to provide water for irrigation and industry, CCWD is now one of the largest urban water districts in California and a leader in drinking-water treatment technology and protection of the Sacramento-San Joaquin Delta.

The District provides treated water to Clayton, Clyde, Concord, Pacheco, Port Costa and parts of Martinez, Pleasant Hill and Walnut Creek. In addition, the District sells wholesale treated water to Antioch, the Golden State Water Company in Bay Point, the Diablo Water District in Oakley, and Brentwood.

CCWD sells untreated water to the cities of Antioch, Martinez and Pittsburg, as well as to industrial and irrigation customers.

CCWD pumps water from four intakes in the Sacramento-San Joaquin Delta. The intakes are located at Rock Slough, on Old River, on Victoria Canal and at Mallard Slough. The backbone of the District's water conveyance system is the 48-mile Contra Costa Canal, which starts at Rock Slough and ends at the Martinez Reservoir.



## Mission Statement

THE MISSION OF THE CONTRA COSTA WATER DISTRICT IS TO STRATEGICALLY PROVIDE A RELIABLE SUPPLY OF HIGH-QUALITY WATER AT THE LOWEST COST POSSIBLE, IN AN ENVIRONMENTALLY RESPONSIBLE MANNER.

In fulfilling our mission, we will:

- Responsibly serve the public
- Provide District employees a safe and healthy work environment
- Ensure fair and equitable rates and charges
- Work cooperatively with local, regional, state and federal agencies
- Practice ethical behavior
- Ensure an open process
- Ensure equal opportunity and diversity in personnel matters and contracting



## Water Conservation Update

DROUGHT ENDS, BUT DISTRICT CONTINUES  
TO ENCOURAGE CONSERVATION



After three years of dry conditions, a wet winter allowed the District to end the 2009 Drought Management Program (DMP) in April 2010. Despite the increased precipitation, the need to be conservation-minded continues because California experiences drought periodically and water is a precious resource.

Customers have responded positively to the District's calls to voluntarily conserve. They used 20 percent less water in 2010 compared to the average water use during the years 2005, 2006 and 2007, which were normal water-use years. These savings totaled more than 25,000 acre-feet of water conserved in 2010. The District applauds this strong conservation ethic and thanks customers for the good work.

While the drought and a cooler-than-normal summer prompted many customers to reduce their water use, another factor – the District's conservation outreach program – played a significant motivating role. The District has long maintained a very active program that helps customers reduce their water use by offering an array of conservation services including rebates and free personalized surveys. Throughout 2010, the District provided a total of nearly 2,500 free on-site conservation surveys, 4,000 high-efficiency toilet rebates and 4,000 high-efficiency clothes washer rebates. Other conservation services include supplying customers with water-saving devices, such as efficient showerheads and aerators, teaching children in local schools about conservation, and offering an array of conservation services to businesses and large industrial customers.

## Financial Management

### TRIED AND TRUE CONSERVATIVE APPROACH MEETS CHALLENGES

The District manages its resources conservatively and optimizes its rate of return on capital investments to deliver high value to its customers, even in tough economic times. It focuses on containing costs, planning for the long term, maintaining and improving infrastructure, and actively pursuing non-rate revenues. The District's commonsense approach has enabled it to meet the challenges of a difficult economy while holding the sum of its revenue rate increases over the past 13 years well below the cumulative rate of inflation. This has put purchasing power in the pocketbooks of District customers.

The Ten-Year Capital Improvement Program and Financial Plan (CIP), an annual rate analysis, and a two-year budgeting process are at the foundation of the District's successful financial management strategy. These financial management tools are separate but inter-related. The CIP provides a comprehensive view of the asset investments and other expenditures required over a ten-year interval to ensure that water resources are adequate, water quality is maintained and the service needs of present and future customers are met. Adoption of the CIP does not authorize project expenditures; projects are funded through the two-year budget and the Board of Directors acts on final project approvals. Analyzed annually, the CIP focuses expenditures on the highest priorities and provides the basis for projecting ten-year rate adjustments.



The District also diversifies its funding sources to reduce its reliance on water rates. Currently, about 30 percent of the District's revenue comes from sources other than water sales. These sources include Facility Reserve Charges, interest income, property taxes, grants and reimbursements for services provided to other agencies.

As a result of strong, effective financial management, the District has earned credit ratings of AA+ from Fitch Ratings and Standard & Poor's and Aa2 from Moody's Investors Service. With these excellent ratings, the District can obtain favorable financing for its essential projects and continue to meet and exceed its customers' expectations, despite the difficult economy.

# CCWD Capital Improvement Projects

## ENSURING RELIABILITY, QUALITY AND ENVIRONMENTAL PROTECTION

Several major infrastructure projects completed or underway in 2010 are integral to the District's long-term ability to serve customers with a reliable supply of high-quality drinking water, operate in an environmentally responsible manner and protect the Sacramento-San Joaquin Delta's ecosystem and fish population.

These projects are important because the Delta, which is the District's only source of water, is in environmental decline and pumping restrictions represent a risk to supply reliability. With these projects, the District can pump from various locations to avoid areas of environmental sensitivity while maintaining adequate stores of water to see it through pumping restrictions, drought or emergency situations.

The following major infrastructure projects were completed or moved forward in 2010.

## MIDDLE RIVER INTAKE



The District's fourth intake – Middle River Intake – was dedicated in July 2010 and is a successful partnership between several federal, state and local agencies. It is located on Victoria Canal, east of Discovery Bay, and includes a pumping plant capable of pumping 250 cubic feet of water per second and a two-mile extension of the pipeline system that delivers water to the Los Vaqueros Reservoir and the Contra Costa Canal. Equipped with a state-of-the-art fish screen, the new intake draws high-quality water at times of the year when salinity increases at the District's other three intakes. This gives the District's pumping operations flexibility to protect customers from water-quality fluctuations while protecting the Delta's ecosystem and sensitive fish species. The new facility will also help maintain the benefits of the Los Vaqueros Reservoir by extending the time periods when high-quality water can be delivered to the reservoir or directly to treatment plants. Operation of the new intake and pump station will not increase water diversions from the Delta or affect the operations of other Delta water users. State and federal grants totaling \$35.4 million are helping to fund the \$99 million project.

## LOS VAQUEROS RESERVOIR EXPANSION

The Los Vaqueros Reservoir Expansion project is set to break ground in early 2011 and will be built entirely with District funds. The approximately \$120 million project will increase the size of the reservoir from 100,000 acre-feet to 160,000 acre-feet, with a possibility of a further expansion to 275,000 acre-feet if partners sign on in the future. The additional water storage will help ensure high-quality water deliveries to customers, reliability during a drought and protections for Delta fisheries and the environment. In addition, the two intakes that divert water to the reservoir are fully screened to protect fish. During construction to expand the reservoir, recreational programs, fishing and some trail access will be maintained with some limitations to ensure public safety.





## ROCK SLOUGH FISH SCREEN

Construction is underway to build a state-of-the-art fish screen at the District's Rock Slough Intake, which is located in eastern Contra Costa County at the start of the Contra Costa Canal. When this project is completed, all four of the District's intakes will be fully screened. This will give the District increased operational flexibility to protect sensitive fish species in the Delta and its access to the Delta as a water source. The \$28 million project is being built jointly by the District and the Bureau of Reclamation with 100-percent federal funding from the American Recovery and Reinvestment Act. The project is on schedule to be completed by November 2011.

## CONTRA COSTA CANAL REPLACEMENT PROJECT

The District replaced a 1,900-foot section of the unlined Contra Costa Canal in the Oakley area with a 10-foot diameter pipeline, eliminating the canal's earthen levees along that section to protect public safety by preventing canal levee breaks and flooding. The project also improves water quality by eliminating groundwater seepage into the unlined canal in the project area. The project was completed by the start of 2010, and the District has plans to replace the entire 21,000-foot unlined section of the canal as funding becomes available. State and federal grants totaling \$12.7 million helped pay for the \$18.6 million project, which included 1,900 feet of pipeline and the permitting and environmental mitigation work for the entire 21,000-foot length of the unlined canal.

## ALTERNATIVE ENERGY PROJECTS

The District embarked on four clean energy projects, with two of them completed by the end of the year. Three of the projects were solar power installations capable of generating more than 1 million kilowatt hours of electricity annually at the Bailey, Lime Ridge and San Miguel reservoir and pump stations in Concord. All three projects are covered by 20-year solar power purchase agreements with no installation or maintenance costs to the District. These projects diversify the District's energy supply, limit its exposure to Pacific Gas and Electric Company's rising rates, and reduce the District's carbon footprint. By the end of the year, both the Bailey and Lime Ridge projects were completed.



The fourth project is a hydroelectric generation facility that will produce 1,000 kilowatts of electricity by capturing and converting the hydraulic energy available in the Los Vaqueros Pipeline. This project will offset about one-third of the \$1 million of electricity the District purchases each year from the Modesto Irrigation District to operate several pumping and conveyance facilities. The facility will be located in Antioch and is scheduled for completion in 2012.

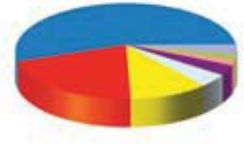
# Comparative Financial Highlights

## SOURCES AND USES OF FUNDS (CASH FLOWS):

### What we received (in thousands of dollars)

Receipts from Customers	\$96,751	55%
Capital Financing	35,900	20%
Grants	18,972	11%
Contributions in Aid of Construction	6,650	4%
Investment Income	6,251	4%
Other Income	2,977	2%
Property Taxes	2,678	1%
Reserves	5,448	3%
<b>Total</b>	<b>\$175,627</b>	<b>100%</b>

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2010

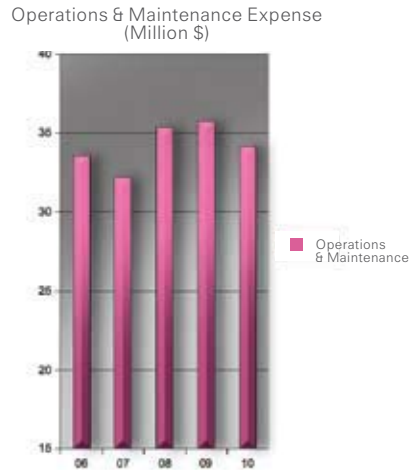
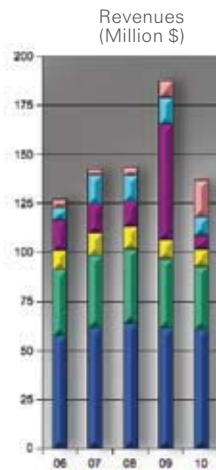


### How it was used (in thousands of dollars)

Investment in Infrastructure	\$114,005	65%
Water Operations	34,136	19%
Administrative & General	23,472	14%
Public Information & Customer Service	4,014	2%
<b>Total</b>	<b>\$175,627</b>	<b>100%</b>



## Trends



*Note: FY09 Revenues and Net Revenues available for debt service include a \$52 million reimbursement from the City of Brentwood to pay for the Brentwood Water Treatment Plant.*

The District's fiscal position is managed to provide sustainable funding of its long-term financial plan and infrastructure improvement program. The above five-year comparative charts depict the District's consistent financial performance, built on a foundation of treated and untreated water revenues. This base is augmented by diversifying revenue sources to include: grants, investment earnings, contributions from developers for new infrastructure, and other non-operating revenues, such as livestock grazing, lease revenues, and easements. These revenues offset costs that would otherwise be borne by the District's ratepayers. Over the past decade-plus, the District has reduced its reliance on rate revenues from 85% to 67% through revenue diversification. Operations and maintenance expenses are effectively utilized to ensure our customers a reliable supply of high quality water. The net revenues and debt service graph reflects a reasonable margin for the District to repay its annual debt service obligations.

## Balance Sheet

<b>ASSETS:</b>	<b>2010</b>	<b>2009</b>
<b>NONCURRENT ASSETS:</b>		
Capital Assets	\$1,135,779,965	\$1,092,893,744
Notes Receivable	977,136	1,506,751
Prepaid other post-employment benefit	3,043,778	4,266,670
Restricted Cash and Investments	183,210,806	150,792,904
Designated Cash and Investments	63,416,510	62,636,290
<b>Total Noncurrent Assets</b>	<b>\$1,386,428,195</b>	<b>\$1,312,096,359</b>
<b>CURRENT ASSETS:</b>		
Unrestricted Cash and Investments	39,098,187	48,019,475
Receivables	30,115,780	24,388,067
Other Current Assets	2,527,427	2,294,820
<b>Total Current Assets</b>	<b>71,741,394</b>	<b>74,702,362</b>
<b>Total Assets</b>	<b>\$1,458,169,589</b>	<b>\$1,386,798,721</b>
<b>LIABILITIES &amp; NET ASSETS:</b>		
<b>NONCURRENT LIABILITIES:</b>		
Notes Payable	\$131,530,095	\$0
Long-Term Debt	439,031,146	455,538,725
Advances for Construction	4,472,011	3,600,093
Deferred Revenue and Other	1,203,510	1,423,144
<b>Total Noncurrent Liabilities</b>	<b>\$576,236,762</b>	<b>\$460,561,962</b>
<b>CURRENT LIABILITIES:</b>		
Current Notes and Contracts Payable	\$975,023	713,620
Current Maturities of Long-term Debt	18,328,844	20,180,426
Accounts Payable	17,895,855	22,466,822
Accrued Payroll and Related Expenses	5,806,189	5,459,529
Interest Payable	5,894,708	6,142,976
Commercial Paper	0	61,000,000
<b>Total Current Liabilities</b>	<b>\$48,900,619</b>	<b>\$115,963,373</b>
<b>Total Liabilities</b>	<b>\$625,137,381</b>	<b>\$576,525,335</b>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	\$639,237,428	620,497,396
Restricted for Capital Projects	89,888,234	86,470,101
Board Designated	63,416,510	62,636,290
Unrestricted	40,490,036	40,669,599
<b>Total Net Assets</b>	<b>833,032,208</b>	<b>810,273,386</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,458,169,589</b>	<b>\$1,386,798,721</b>



# Income Statement

	2010	2009
<b>OPERATING REVENUES:</b>		
Untreated Water Sales	\$31,921,696	\$35,349,121
Treated Water Sales	60,964,303	61,517,021
Reimbursement of Operating Expenses	3,725,519	4,242,325
Miscellaneous Service Charges	139,306	148,081
<b>Total Operating Revenues</b>	<b>\$96,750,824</b>	<b>\$101,256,548</b>
<b>OPERATING EXPENSES:</b>		
Source of Supply	5,692,705	6,693,063
Water Treatment	7,742,452	8,301,214
Pumping	4,187,622	4,581,618
Transmission and Distribution	994,399	1,219,167
Maintenance	15,518,557	14,915,790
Public Information and Customer Service	4,014,269	4,099,866
Administration and General	23,472,110	24,408,789
Depreciation and Amortization	26,486,715	24,927,629
<b>Total Operating Expenses</b>	<b>\$88,108,829</b>	<b>\$89,147,136</b>
<b>Operating Income</b>	<b>\$8,641,995</b>	<b>\$12,109,412</b>
<b>NONOPERATING REVENUE (EXPENSE):</b>		
Property Taxes	2,678,217	3,212,816
Investment Earnings	6,251,399	9,741,746
Net Increase in Fair Value of Investments	2,564,544	(5,823,122)
Contributions in Aid of Construction	6,649,595	58,622,323
Interest Expense	(25,976,023)	(26,555,997)
Grants	18,971,886	8,232,802
Rent and Other, net	2,977,209	6,271,070
<b>Total Nonoperating Revenue (Expense)</b>	<b>\$14,116,827</b>	<b>\$53,701,638</b>
<b>Change in Net Assets</b>	<b>\$22,758,822</b>	<b>\$65,811,050</b>



## District Profile

### Total District

#### SERVICE AREA:

Central and Eastern Contra Costa County

Total Area of District 137,127 acres

Population Served 550,000

#### WATER REVENUES:

Municipal	20 %
Industrial	15.9 %
Residential	50.4%
Commercial	9.6 %
Public Facilities and Other	4.1 %

Number of Budgeted Employees 329.5 (full-time equivalents)

Capital Assets \$ 1,135,779,965

#### RETAIL TREATED WATER SERVICE:

Clayton	Pacheco
Clyde	Pleasant Hill (portion)
Concord	Port Costa
Martinez (portion)	Walnut Creek (portion)

#### WHOLESALE TREATED WATER CUSTOMERS:

Antioch	Golden State Water Company (Bay Point)
Brentwood	Diablo Water District (from jointly owned treatment plant)

#### WHOLESALE UNTREATED WATER SERVICE:

(Purchasers of untreated water from CCWD for treatment and distribution)

City of Antioch	City of Pittsburg
City of Martinez	

#### MAJOR INDUSTRIAL CUSTOMERS:

Tesoro Refining and Marketing	GWF Power
Shell Oil	General Chemical
Foster Wheeler	Calpine
Rhodia	USS Posco
Dow Chemical Company	Eight other smaller industries

#### AGRICULTURAL:

20 customers

## Untreated Water Supply Facilities

### INTAKES:

Delta water is drawn from four intakes: the Rock Slough Intake near Oakley, the Old River Intake near Discovery Bay, the Middle River Intake on Victoria Canal and the Mallard Slough Intake in Bay Point. Depending on the intake and where water is needed, the water is diverted into the Contra Costa Canal and/or the Los Vaqueros Pipeline and conveyed to treatment plants and reservoirs located throughout eastern and central Contra Costa County.

### CONTRA COSTA CANAL:

Part of the Central Valley Project, the Contra Costa Canal is the backbone of the Contra Costa Water District, delivering water from the Delta to the District's treatment facilities and untreated-water customers. The canal is a 48-mile long facility that starts at Rock Slough and ends at the Terminal Reservoir in Martinez. It travels through a four-mile unlined channel before entering the concrete-lined section of the canal in Oakley.

### LOS VAQUEROS PIPELINE:

A 20-mile-long buried pipeline transports water from the Old River intake to a Transfer Station outside Brentwood, then south to the Los Vaqueros Reservoir and north to the Contra Costa Canal.

### PUMPING PLANTS:

Four stations lift water 124 feet above sea level from Rock Slough to the Contra Costa Canal's Antioch summit, after which gravity propels the water to its terminus in Martinez. The District also operates pumping plants at the Old River Intake, Middle River Intake, Mallard Slough Intake and the Los Vaqueros Transfer Facility.

### RESERVOIRS:

Martinez Reservoir	270 acre-feet
Contra Loma Reservoir	2,500 acre-feet
Mallard Reservoir	3,000 acre-feet
Los Vaqueros Reservoir	100,000 acre-feet

## Treated Water Distribution Facilities

Pipelines.....	868 miles	Storage Reservoirs .....	40
Pump Stations .....	31	Connections .....	60,977

### RALPH D. BOLLMAN WATER TREATMENT PLANT

Conventional treatment (coagulation, flocculation, sedimentation); mixed media GAC (granular activated carbon) filtration; intermediate and post ozonation.

Plant Capacity.....75 million gallons a day

### RANDALL-BOLD WATER TREATMENT PLANT

Conventional treatment (coagulation, flocculation, sedimentation); dual media GAC (granular activated carbon) filtration; intermediate and post ozonation.

Plant Capacity.....50 million gallons a day (This plant is jointly owned with the Diablo Water District.)

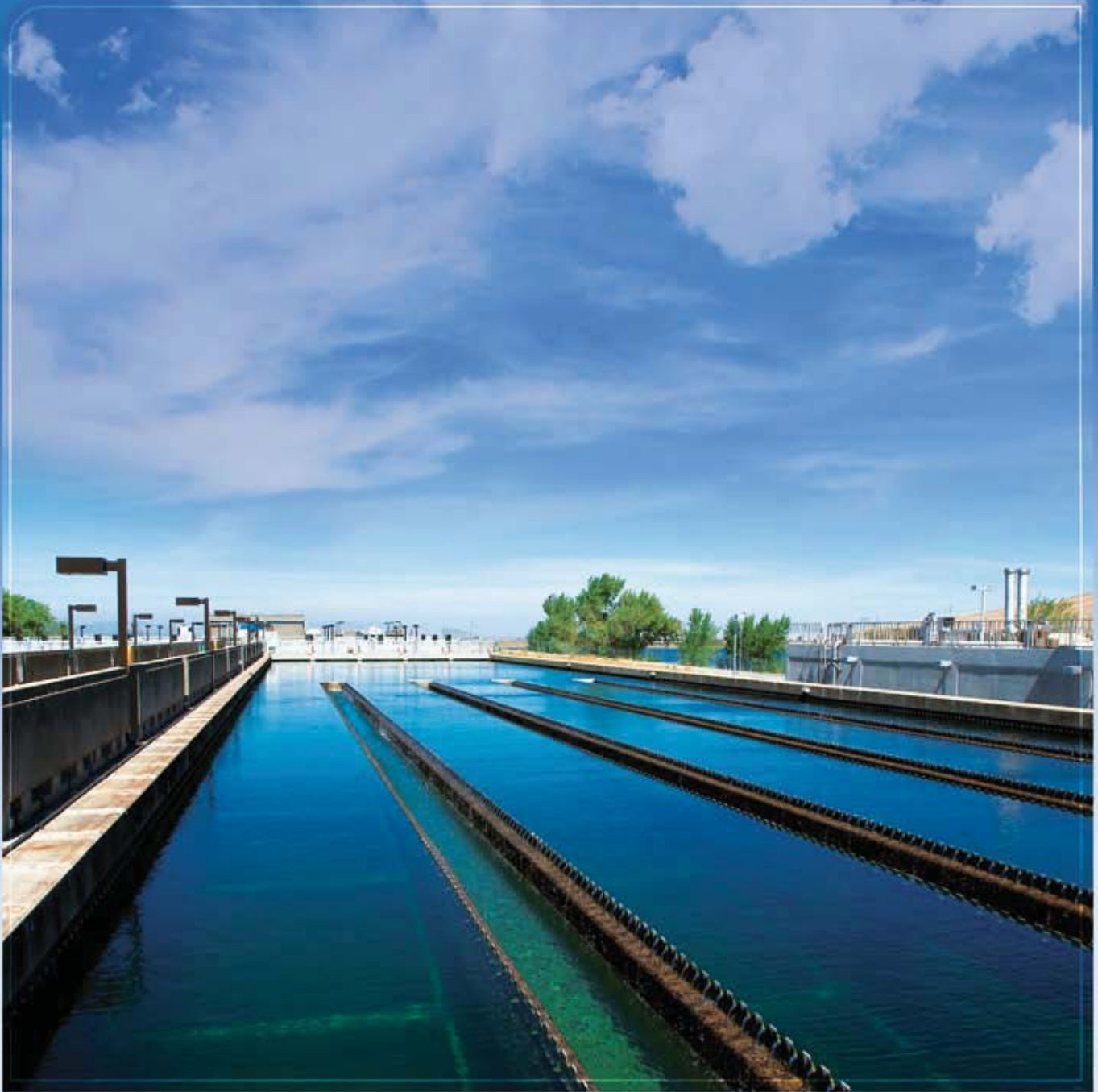
### CCWD/CITY OF BRENTWOOD TREATMENT PLANT

Conventional treatment (coagulation, flocculation, sedimentation); dual media GAC (granular activated carbon) filtration; and intermediate ozonation.

Plant Capacity....16.5 million gallons a day  
(This plant was built for and is operated for the City of Brentwood.)

# Contra Costa Water District

2010 ANNUAL REPORT



Photography Credits:  
Susan L. Bednarz, RG, CEG  
Stephen Joseph  
John Benson



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